FUNDS.

A

JUST AND IMPARTIAL VIEW

OF THE

FUNDS OF ENGLAND,

SHEWING

THE CONSEQUENCE OF A PUBLIC

BANK,

BEING AT THE DISPOSAL OF ANY

MINISTER,

WITH A FULL AND CLEAR PREDICTION OF THE BURSTING OF THE GREAT

NATIONAL BUBBLE.

By the late Reverend Dr. PRICE.

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FUNDS.

THE alarming ſtate of our Country, is, I preſume, a ſufficient excuſe for my taking part of the late Dr. PRICE's ineſtimable tract to prove we are actually in danger of a National Inſolvency; and alſo to caution thoſe perſons concerned in the Public Funds to what extent they riſque their fortunes; and alſo to Societies about to buy ſtock, and other ſelling out; and further to thoſe who never thought of the propriety or impropriety of their continuing their caſh in a place, repreſented by the learned Doctor in ſo perilous a predicament.

The venerable Patriot (ſpeaking of the Colonies) takes up the following *pathetic* lamentation over them:— "Their love, ſays he, is turned into hatred; and their reſpect for our government into reſentment and abborrence. We ſhall ſee more diſtinctly what a calamity this is, and the obſervations I have now made will be confirmed, by attending to the following facts.

The American Colonies, particularly the Northern ones, had been for ſome time in the happieſt ſtate of ſociety; or, in that middle ſtate of civilization, between its firſt rude and its laſt refined and corrupt ſtate. Old countries conſiſt, generally, of three claſſes of people; a GENTRY; a YEOMANRY; and a PEASANTRY. The Colonies conſiſted only of a body of YEOMANRY (*a*), ſupported by agriculture, and all independant and nearly upon a level; in conſequence of which, joined to a boundleſs extent of country, the means of ſubſiſtence are procured without difficulty, and the temptations

(*a*) Except the *negroes* in the Southern Countries, who probably will now either ſoon become extinct, or have their condition changed into that of *freemen*.——It is not the fault of the Colonies that they have among them ſo many of theſe unhappy people. They have made laws to prohibit the importation of them; but theſe laws have always had a negative put upon them here, becauſe of their tendency to hurt our negro trade.

tations to wickedneſs are ſo inconſiderable, that executions (*a*) are ſeldom known among them. From hence ariſes an encouragement to population ſo great, that in ſome of the Colonies they double their own number in fifteen years; in others, in eighteen years; and in all, taken one with another, in twenty-five years. Such an increaſe was, I believe, never before known. It demonſtrates that they muſt live at their eaſe; and be free from thoſe cares, oppreſſions, and diſeaſes which depopulate and ravage luxurious ſtates.

With the population of the Colonies has increaſed their trade: but much faſter on account of the gradual introduction of luxury among them. In 1723 the exports to *Penſylvania* were 16,000l. In 1742 they were 75,295l. In 1757 they were increaſed to 268, 426l. and in 1773 to half a million.

The exports to all the Colonies in 1744, were 640,114l. In 1758, they were increaſed to 1,832,948l. and in 1773, to three millions(*b*). And the probability is, that, had it not been for the diſcontents among the Colonies ſince the year 1764, our trade with them would have been this year double to what it was in 1773; and that in a few years more, it would not have been poſſible for the whole kingdom, though conſiſting only of manufacturers, to ſupply the American demand.

This trade, it ſhould be conſidered, was not only thus an increaſing trade, but it was a trade in which we had no rivals; a trade certain, conſtant, and uninterrupted; and which, by the ſhipping employed in it, and the naval ſtores ſupplied by it, contributed greatly to the ſupport of that navy which is our chief national ſtrength. Viewed in theſe lights it was an object unſpeakably important. But it will appear ſtill more ſo, if we view it in its connexions and dependencies. It is well known, that our trade with *Africa* and the *Weſt-Indies* cannot eaſily ſubſiſt without it. And, upon

(*a*) In the county of Suffolk where Boſton is, there has not been, I am informed, more than one execution theſe 18 years.

(*b*) Mr. Burke (in his excellent and admirable ſpeech on moving his reſolutions for conciliation with the Colonies, p. 9, &c.) has ſhewn, that our trade to the Colonies, including that to *Africa* and the *Weſt-Indies*, was in 1772, nearly equal to the trade which we carried on with the whole world at the beginning of this century.

upon the whole, it is undeniable, that it has been one of the main ſprings of our opulence and ſplendour; and that we have in a great meaſure, been indebted to it for ability to bear a debt ſo much heavier than that which, fifty years ago, the wiſeſt men thought would neceſſarily ſink us.

This ineſtimable prize, and all the advantages connected with *America*, we are now throwing away. Experience alone can ſhew what calamities muſt follow. It will indeed be aſtoniſhing if this kingdom can bear ſuch a loſs without dreadful conſequences. Theſe conſequences have been amply repreſented by others; and it is needleſs to enter into any account of them:—at the time we ſhall be feeling them.—The empire diſmembered and expoſed; the *Blood* of Thouſands ſhed in an unrighteous quarrel; our ſtrength exhauſted; our merchants breaking; our manufacturers ſtarving; our debts increaſing; our revenue ſinking; the funds tottering; and all the miſeries of a public bankruptcy impending!

On this occaſion, particular attention ſhould be given to the preſent SINGULAR ſituation of this kingdom. This is a circumſtance of the utmoſt importance; and as I am afraid it is not much conſidered, I will beg leave to give a diſtinct account of it.

At the REVOLUTION, the *ſpecie* of the kingdom amounted, according to *Davenant's* account(*a*), to eighteen millions and a half.—From the ACCESSION to the year 1772, there were coined at the mint, near twenty-nine millions of gold; and in ten years only of this time, or from January 1759 to January 1769, there were coined eight millions and an half. (*b*) But it has appeared lately, that the gold ſpecie now left in the kingdom is no more than about twelve millions and an half. Not ſo much as half a million of *ſilver ſpecie* has been coined theſe ſixty years; and it cannot be ſuppoſed, that the quantity of it now in circulation exceeds two or three millions: The whole ſpecie of the kingdom, therefore, is probably at this time about (*c*) fourteen or fifteen millions

(*a*) See Dr. Davenant's Works, collected and reviſed by Sir Charles Whitworth, Vol. I. page 363, &c. 443, &c.

(*b*) See Conſiderations on Money, Bullion, &c. Page 2 and 11.

(*c*) Or nearly the ſame that it was in Cromwell's time. See Dr. Davenant's Works. Vol. I. page 365.

millions. Of this ſeveral millions muſt be hoarded at the *Bank*. Our circulating *ſpecie*, therefore, appears to be greatly decreaſed. But our wealth, or the quantity of money in the kingdom, is greatly increaſed. This is paper to a vaſt amount, iſſued in almoſt every corner of the kingdom; and, particularly, by the *Bank of England*. While this *paper* maintains its credit it anſwers all the purpoſes of ſpecie, and is in all reſpects the ſame with money.

Specie repreſents ſome real value in goods or commodities. On the contrary; *paper* repreſents immediately nothing but ſpecie. It is a promiſe or obligation, which the emitter brings himſelf under to pay a given ſum in coin; and it owes its currency to the credit of the emitter, or to an opinion that he is able to make good his engagement; and that the ſum ſpecified may be received upon being demanded. Paper, therefore, repreſents coin and coin repreſents real value: that is, the one is a *ſign* of wealth, the other is the *ſign* that *ſign*. But farther. Coin is an *univerſal* ſign of wealth, and will procure it every where. It will bear any alarm, and ſtand any ſhock. On the contrary. Paper owing its currency to opinion, has only a local and imaginary value. It can ſtand no ſhock. It is deſtroyed by the approach of danger; or even the *ſuſpicion* of danger.

In ſhort. Coin is the baſis of our paper-credit; and were it either all deſtroyed, or were only the quantity of it reduced beyond a certain limit, the paper circulation of the kingdom would ſink at once. But, were our paper deſtroyed, the coin would not only remain, but riſe in value, in proportion to the quantity of paper deſtroyed.

From this account it follows, that as far as, in any circumſtances, ſpecie is not to be procured in exchange for paper, it repreſents *nothing*, and is worth *nothing*. The ſpecie of this kingdom is inconſiderable, compared with the amount of the paper circulating in it.

This is generally believed; and, therefore, it is natural to enquire how its currency is ſupported. The anſwer is eaſy. It is ſupported in the ſame manner with all other *Bubbles*. Were all to demand ſpecie in exchange for their notes payment could not be made; but, at the ſame time that this is known, every one truſts that no alarm producing ſuch a demand will happen, while he holds the *paper* he is poſſeſſed of; and that if it ſhould happen, he would ſtand a chance for being firſt paid; and this makes him eaſy. But let any

events

events happen which threaten danger; and every one will become diffident. A run will take place, and a bankruptcy follow.

This is an account of what *has* often happened in *private* credit. And it is alſo an account of what *will* (if no change of meaſures take place) happen ſome time or other in *public* credit. The deſcription I have given of our paper ciculation implies, that nothing can be more delicate or hazardous. It is an IMMENSE FABRICK, with its head in the clouds, that is continually trembling with every adverſe blaſt and every FLUCTUATION OF TRADE: and which, "like the baſeleſs fabrick of a viſion, may in a moment vaniſh," and leave no wreck behind. The deſtruction of a FEW BOOKS AT the *Bank*; an improvement in the art of *Forgery*; the landing of a body of *French* troops on our coaſts; inſurrections threatning a REVOLUTION IN GOVERNMENT; or any events that ſhould produce a general panic, however groundleſs, would at once annihilate it, and leave us without any other medium of traffic, than a quantity of *ſpecie* ſcarcely equal in amount to the money now drawn from the public by the taxes. It would, therefore, become impoſſible to pay the taxes. The revenue would fail. Near a hundred and forty millions of property would be deſtroyed. The whole frame of government would fall to pieces, and a ſtate of nature would take place. What a dreadful ſituation!

Theſe are ſubjects on which I ſhould have choſen to be ſilent, did I not think it neceſſary, that this country ſhould be apprized and warned of the danger which threatens it. This danger is created chiefly by the national debt. High taxes are neceſſary to ſupport a great public debt; and a large ſupply of caſh is neceſſary to ſupport high taxes. This caſh we owe to our paper; and in proportion to our paper, muſt be the productiveneſs of our taxes. King William's wars drained the kingdom of its ſpecie. This ſunk the revenue, and diſtreſſed government. In 1694 the *Bank* was eſtabliſhed; and the kingdom was provided with ſubſtitute for ſpecie. The taxes became again productive. The revenue roſe, and government was relieved.—Ever ſince that period our paper and taxes have been increaſing together, and ſupporting one another; and one reaſon, undoubtedly, of the late increaſe in the productiveneſs of our taxes has been the increaſe of our *paper*.

Was there no *public debt*, there would be no occaſion for half the preſent taxes. Our paper circulation might be reduced. The balance of trade would turn in our favour. Specie would flow in upon us. The quantity of property deſtroyed by a failure of our *paper* credit (ſhould it in ſuch circumſtances happen) would be 140 millions leſs; and therefore, the ſhock attending it would be *tolerable*. But in the preſent ſtate of things, whenever any calamity or panic ſhall produce ſuch a failure, the ſhock attending it will be *intolerable*. —May Heaven ſoon raiſe up for us ſome great ſtateſmen who ſhall ſee theſe things; and enter into effectual meaſures, if not *now* too late, for *extricating* and PRESERVING US!!

Public banks are undoubtedly, attended with great conveniences. But they alſo do great harm; and, if their emiſſions are not reſtrained, and conducted with great wiſdom, they may prove the moſt pernicious of all inſtitutions; not only by ſubſtituting *fictitious* for *real* wealth; by increaſing luxury; by raiſing the prices of proviſions; by concealing an unfavourable balance of trade; and by rendering a kingdom incapable of bearing any *internal* tumults or *external* attacks, without the danger of a dreadful convulſion: But, particularly, by becoming inſtruments in the hands of MINISTERS of STATE to increaſe their influence, to leſſen their dependence on the people, and to keep up a deluſive ſhew of public proſperity, when, perhaps, ruin may be near. There is, in truth, nothing that a government may not do with ſuch a mine at its command as a public bank, while it can maintain its credit; nor, therefore, is there any thing more likely to be IMPROPERLY and DANGEROUSLY uſed.—But to return to what may be more applicable to our own ſtate at preſent.

Among the cauſes that may produce a failure of *paper* credit, there are two which it may be neceſſary particularly to conſider. — The firſt is, "An unfavourable balance of Trade." This, in proportion to the degree in which it takes place, muſt turn the courſe of foreign exchange againſt us, raiſe the price of bullion, and carry off our ſpecie.

The danger to which this would expoſe us is obvious; and it has been much increaſed by the new coinage of the gold ſpecie which began in 1773. Before this coinage, the greateſt part of our gold coin being light, but the ſame in currency as if it had been heavy, always remained in the kingdom.

kingdom. But, being now full weight, whenever a wrong balance of foreign trade alters the courſe of exchange, and gold in *coin* becomes of leſs value than in *bullion*, there is reaſon to fear, that it will be melted down in ſuch great quantities, and exhauſted ſo faſt, as in a little time to leave none behind; (*a*) the conſequence of which muſt prove, that the whole ſuperſtructure of paper-credit, now ſupported by it, will break down. The only remedy, in ſuch circumſtances, is an increaſe of coinage at the mint. But this will operate too ſlowly; and, by raiſing the price of bullion, will only increaſe the evil.—It is the *Bank* that at ſuch a time muſt be the immediate ſufferer: for it is from thence that thoſe who want coin for any purpoſe will always draw it.

For many years before 1773, the price of gold in *bullion* had been, from two to three per cent. higher than in *coin*. This was a temptation to melt down and export the coin, which could not be reſiſted. Hence aroſe a demand for it on the BANK; and, conſequently, the neceſſity of purchaſing bullion, at a loſs, for a new coinage. But the more coin the Bank procured in this way, the lower its price became in compariſon with that of bullion, and the faſter it vaniſhed;

(*a*) Mr. *Lowndes*, in the diſpute between him and Mr. *Locke*, contended for a reduction of the ſtandard of ſilver. One of his reaſons was, that it would render the ſilver coin more commenſurate to the wants of the nation; and CHECK HAZARDOUS PAPER-CREDIT.—Mr. *Conduit*, Sir *Iſaac Newton's* ſucceſſor in the Mint, has propoſed, in direct contradiction to the laws now in being, that all the bullion imported into the kingdom ſhould be carried into the Mint to be coined; and only coin allowed to be exported. "The "height of Paper credit, is the ſtrongeſt argument for trying this "and *every other* method that is likely to increaſe the coinage. For "whilſt Paper-credit does in a great meaſure the buſineſs of money "at home, merchants and bankers are not under a neceſſity, as "they were formerly, of coining a quantity of ſpecie for their "home trade; and as Paper-credit brings money to the merchants "to be exported, the money may go away inſenſibly, and not BE "MISSED TILL IT BE TOO LATE: and where Paper-credit is large "and increaſing, if the money be exported and the coinage de-"creaſe, THAT CREDIT MAY SINK AT ONCE; for want of a pro-"portionable quantity of *Specie*, which alone can ſupport it in a "time of diſtreſs."——See Mr. *Conduit's* Obſervations on the ſtate of our Gold and Silver Coins in 1730, *Page* 36 to 46.

ed; and, conſequently, the more neceſſary it became to coin again, and the greater loſs fell upon the Bank.—Had things continued much longer in this train, the conſequences might have proved very ſerious. I am by no means ſufficiently informed to be able to aſſign the cauſes which have produced the change that happened in 1773. But, without doubt, the ſtate of things that took place before that year muſt be expected to return. The fluctuation of trade, in its beſt ſtate, render this unavoidable.

The ſecond event, ruinous to our *paper*-circulation, is a deficiency in the revenue. As a failure of our paper would deſtroy the revenue, ſo a failure of the revenue, or any conſiderable diminution of it, would deſtroy our *paper*. The BANK is the ſupport of our paper; and the ſupport of the BANK is the credit of government. Its principal ſecurities, are a capital of many millions lent to government; and money continually advanced to a vaſt amount on the Land-tax, and Malt-tax, Sinking Fund, Exchequer Bills, Navy Bills, &c. Should, therefore, deficiencies in the revenue bring government under any difficulties, all theſe ſecurities would loſe their value, and the *Bank* and Government, and all private and public credit, would fall together.—Let any one here imagine, what would probably follow, were it but ſuſpected by the public in general, that the taxes were ſo fallen, as not to produce enough to pay the intereſt of the public debts, beſides bearing the *ordinary* expences of the nation; and that, in order to ſupply the deficiency and to hide the calamity, it had been neceſſary in any one year to anticipate the taxes, and to borrow of the Bank.—In ſuch circumſtances I can ſcarcely doubt, but an alarm would ſpread of the moſt dangerous tendency.—The next foreign war, ſhould it prove *half* as expenſive as this laſt, will probably occaſion ſuch a deficiency, and bring our affairs to that criſis towards which they have been long tending.—

Had we continued in a ſtate of profound peace, it could not have admitted of any diminution. What then muſt follow, when the moſt profitable branches of our trade are deſtroyed; when the Empire is all but loſt; when an addition of many millions is made to the public debt; and when, at the ſame time, perhaps, ſome millions are taken

away from the revenue? — I ſhudder at the proſpect.—A KINGDOM, ON AN EDGE SO PERILOUS, SHOULD THINK OF NOTHING BUT A RETREAT!

To prevent this, ſome of our worſt *Taxes* might be taken off. The Public would receive our manufactures cheaper. Our Paper currency might be reſtrained. Our whole Force would be free to meet at any time foreign danger—the influence of the Crown would be reduced; our Parliament would become leſs dependent; and the Kingdom might, perhaps be reſtored to a ſituation of permanent ſafety and Proſperity.

To conclude.—An important Revolution in the affairs of this kingdom ſeems to be approaching. If ruin is not to be our lot, all that has been lately done muſt be undone, and new meaſures adopted:—by ſubjecting to new regulations, the adminiſtration of the finances; and by eſtabliſhing meaſures for exterminating Corruption, aud reſtoring the Conſtitution. For my own part:—If this is not to be the conſequence of any future changes in the Miniſtry, and the *Syſtem* of CORRUPTION, lately ſo much improved, is to go on—I think it totally indifferent to the kingdom, who are *in*, or who are *out* of power.

FINIS.